GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:4877
ANSWERED ON:31.03.2017
Flouting of Accounting Norms
Sreeramulu Shri B.

Will the Minister of CORPORATE AFFAIRS be pleased to state:

(a) whether instance of audit firms/companies indulging in flouting of accounting principles and financial irregularities have come to the notice of the Government in the country during each of the last three years and the current year;

(b) if so, the details thereof and the number of such cases reported in the country during the above period along with the action taken/being taken by the Government against such firms/companies, firm/company and State/UT-wise;

(c) the losses suffered by the Government due to such violations during the said period; and

(d) the corrective measures taken/ being taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE (SHRI ARJUN RAM MEGHWAL)
MINISTRY OF CORPORATE AFFAIRS

(a) to (d): Details of cases that have come to notice during 2013-14 and 2014-15 are given at Annexure-I. The information for the years 2015-16 and 2016-17 is being collected. No specific instance of financial loss under the Companies Act on account of these irregularities has come to notice.

In such cases appropriate provisions for non-compliance of Companies Act, are invoked, which include section 227 read with section 233 of Companies Act, 1956/ section 143 read with section 147 of the Companies Act, 2013. In addition, wherever required, a reference is made to the Institute of Chartered Accountants of India for disciplinary action against the erring auditor. The Companies Act, 2013 has preventive provisions for such irregularities by auditors. These include:-

(i) stricter penal provisions in case of non-compliance with provisions of the Act;
(ii) stricter requirements with regard to eligibility/independence of auditors;
(iii) mandatory rotation of auditors;
(iv) prohibition on rendering specified non-audit services;
(v) role of audit committee with regard to appointment and remuneration of auditors in case of listed companies and companies satisfying specified criteria; and enhanced disclosures to be made in the Board of directors' report, financial statements and the report of auditors to the shareholders.

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